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CONSEQUENCES OF THE WORLD-SCALE CRISIS FOR THE LABOUR MARKET OF THE EUROPEAN UNION

Summary: The European Union means nearly half a billion of inhabitants residing in twenty seven member states. From 2006 there has been a tendency to decrease the unemployment rate there. Therefore, the unemployment rate which was 8.2% in 2006, was decreased to the level of 7.1% in 2007 and 7.0% in 2008. In 2009 there was an increase in the unemployment rate in all member states of the European Union but its scale was different in particular states. In Baltic states as well as in Ireland and Spain one could observe the highest growth in the unemployment rate in a year-scale (6-10%), whereas in Belgium, Germany, Luxemburg and Holland the increase of this rate did not exceed the value of 1%.

Keywords: unemployment rate, number of employed persons, labour market, European Union.

1. Introduction

The phenomenon of the unemployment in the contemporary world economy is one of the most difficult social and economic problems, which are faced by most governments in the world. The unemployment takes many forms and aspects, both, economic and social ones. The unemployment rate depends on many factors, including an existing economic system and presently run policy regarding the labour market. Polish economy, similarly to other states where central-controlled economy operated in the past, was accustomed to the situation that the labour market was characterized by the warranty of work position provided for any worker. In this system, the phenomenon of unemployment officially never existed despite the fact the remunerations were very low but all other benefits were common and they were not granted on the income basis¹. The beginning of the transformation of such economies was a period of restructuring and privatization of sectors and unprofitable enterprises which resulted in redundancies and lower employment rates in these

¹ *Po 10 latach – transformacja i rozwój w krajach postkomunistycznych*, red. J. Neneman, CASE, Warszawa 2000, p. 185.

states. For other states, which were not experienced by the communism system, the unemployment has been a serious problem for many years. In many literature positions one may find information that one of prerequisites for the establishing of the European Union was the problem of high unemployment rate. Tightening of economic relations and setting up of common, liberal – for members – regulations regarding the labour market, within the organization which was to be established, posed an opportunity for the reduction of growing unemployment rate. From 2007 in the statistic data published by international institutions (IMF, World Bank or Eurostat) one could observe positive changes on the Union's labour market related, most of all, to the reduction of the unemployment rate rated for the entire European Union. There occurred forecasts showing that the member states cooperate better and better and they pose a uniform employment market on the Union's territory within which the opportunity for the work force migration enables to level off demand and supply shocks. Nevertheless, some optimistic forecasts were given up because of the financial crisis in the United States which, rather quickly, converted into the economic crisis and affected the Union's economies.

The objective of the article is to show the present situation in the European Union and changes arising from the effects of the economic crisis. The author shall analyze the statistic data picturing the scale of the unemployment phenomenon as well as employment rate in the member states. Moreover, the author shall try to draw a forecast regarding a future shape of the labour market in the European Union.

2. Unemployment phenomenon in the European Union's economies

Nowadays the European Union consists of 27 member states with 499.7 inhabitants². In 2009 64.4% of the total number of inhabitants were in their working age, in these – 217.9 million employees. Other persons were classified as persons unemployed or persons looking for a job.

The highest percentage of professionally active persons lived in 2009 in Holland where the index of employed persons to the total number of persons in a state was equal to 77% and in Denmark – 75.7%. Other states characterized by high professional activity rate are: Sweden, Austria, Germany, Great Britain, Cyprus, Finland, Slovenia and Portugal. In these states this rate exceeds the European average. Nevertheless, in Europe there are regions where 1/3 of inhabitants are in their working age only. It mainly regards the south of France, Spain and Italy. The lowest percentage of inhabitants in their working age characterizes Belgium – 35.8%, Spain – 40.8% and Sweden 48.9%.

Since 2003 the dynamics of the employment in the Union's economies has been growing up annually by 0.5-0.8%, and since 2005 – by 1% up to 1.8 in 2007. In 2008 the employment rate in the member states in the European Union increased by 0.8%

² *Total Population*, Eurostat, <http://epp.eurostat.ec.europa.eu> (as of 05.05.2010).

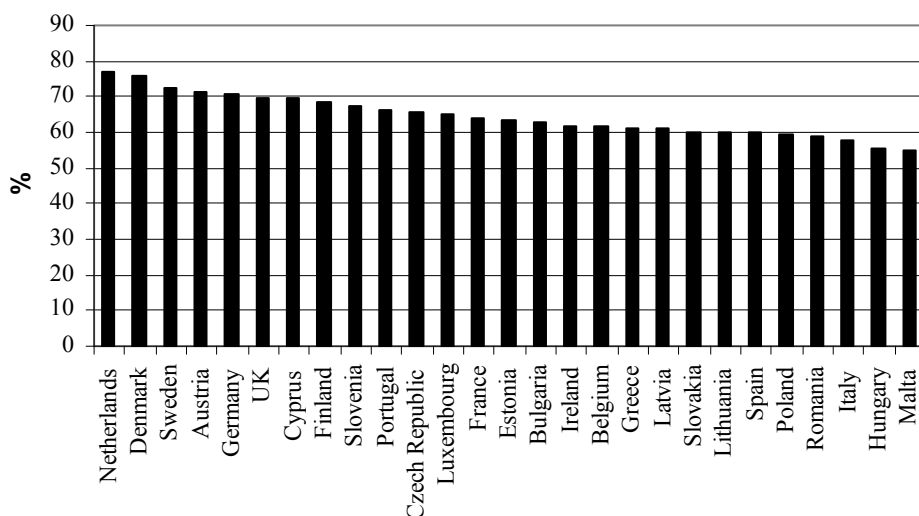


Figure 1. Professional activity rate in the European Union in 2009 (in %)

Source: *Employment rate by gender*, Eurostat, <http://epp.eurostat.ec.europa.eu> (as of 05.05.2010).

while in 2009 – it decreased by 1.8%. The largest decrease in the employment in 2009, compared to the preceding year, occurred in the economy of Latvia (−13.6%), then in Estonia (−10%) and Ireland (−8.2%). The economy of Luxembourg was the sole exception since the employment rate increased by 0.9% while in Germany the employment was maintained at the same level. Comparing the period preceding the crisis which is 2006 and 2007 to 2009 in terms of a number of persons employed in relation to the total number of working age inhabitants within the frameworks of the same age group, one may clearly observe the effects of the crisis in selected economies. In 20 out of 27 member states the number of employed persons to the total number of working age persons increased while in 7 states this rate decreased. The most serious deterioration of the situation on the labour market in 2009, compared to the situation before the crisis, was observed in Irish economy where the employment rate decreased by nearly 6% compared to 2007. Higher percentage of society does not work in Spain, Lithuania, Great Britain, Hungary, Sweden and Portugal³.

From the OECD data it results that most of the Union's states decreased the number of vacancies as a result of the crisis. Thus, in 2007 in the Czech economy in 2007 the number of vacancies amounted to approx. 124 thousand jobs while in 2009 it was only 46 thousand (decrease by 63%), in the Dutch economy from 227 thousand in 2007 to 114 thousand in 2009 (decrease nearly by 50%)⁴. Portuguese economy was an exception among the states presented by the OECD where the

³ *Employment Rate by Gender*, Eurostat, <http://epp.eurostat.ec.europa.eu> (as of 05.05.2010).

⁴ *Registered Unemployed and Job Vacancies*, <http://stats.oecd.org/> (as of 06.05.2010).

Table 1. Number of job offers in selected economies of the European Union – comparison of data of 2007 and 2009 as well as preliminary data for 2010

State	2007	2009	Change 2007-2009	March 2010	Change 2009-2010
Austria	38.214	27.166	-28.9%	28.255	+4.1%
Czech Republic	123.978	46.043	-62.9%	33.875*	- 26.4%
Finland	40.167	26.944	-32.9%	27.177	+0.9%
France	302.358	240.158	-20.6%	269.800	+12.3%
Germany	621.390	485.527	-21.9%	496.000	+2.2%
Hungary	29.933	20.740	-30.7%	22.296	+7.5%
Luxembourg	2.473	1.270	-48.6%	1.548	+21.9%
Netherlands	227.725	114.825	-49.6%	104.225**	-9.2%
Poland	66.650	38.400	-42.3%	54.636	+42.3%
Portugal	14.402	17.870	+24.1%	20.783	+16.3%
Sweden	42.313	26.996	-36.2%	27.978	+3.6%

* recent data from December 2009.

** recent data for the fourth quarter 2009.

Source: own elaboration based on *Registered Unemployed and Job Vacancies*. <http://stats.oecd.org/> (as of 06.05.2010).

number of vacancies increased by 24% in relation to 2007. Estimated data for March 2010 show that the situation on the labour market of the member states improved; more and more of them offered a higher number of vacancies for their inhabitants in 2010. This time the Czech and Dutch economies are the exceptions where the number of vacancies decreased respectively by 26% and 9% in relation to the preceding year.

From the presented data it results that the effect of the crisis in form of the decrease in the number of employed persons was observed in the Union's states mostly in 2009. However, it did not substantially affect the structure of employment. In particular branches of the industry, jobs in the sector of services were found by 64.5% of the total number of employed persons which poses 54% of all employed men and 79% of employed women. The industry employs 30.2% of the total number of employed persons while in the trade sector, hotel and catering services 25.3% of working age persons are hired. The financial sector and insurance sector employ on average 15% of the total number of employed persons and the transport sector – 9%. In turn in the construction sector there work 10% of the European Union's inhabitants. The lowest rate of employed persons, 5.7%, characterizes the agriculture sector. Bulgarian, Greek and Portuguese economies are the exceptions as 20%, 11.8% and 11.5% of their society work in the agriculture sector. For a few years there has been observed a tendency to reduce the work force in the sector of agriculture (even in the period

of the crisis). Moreover, more and more inhabitants of the member states find jobs in the sector of services. The European Union is inhabited by 66% of professionally active men and 45% women. From these the largest percentage is employed in the sector of services, 12.6% of them work in the industry and 4.9% in the agriculture sector.

Among the Community's states there occurs a large diverse in terms of popularization of the employment in form of a part-time employment or a temporary job. The share of the part-time employment compared to the full-time employment amounts to approx. 2% in Bulgaria to nearly 50% in Holland. The Union's average reaches approx. 18.1% level. One should notice that this form of employment is the most frequent in the old member states, most of all in Holland as well as Germany, Great Britain, Sweden, Denmark, Belgium and Austria⁵. One may guess that – as a result of the aforementioned crisis – the interest in this form of employment went up. In fact, in 18 economies the part-time employment's share increased in relation to the full-time jobs. The largest positive change occurred in Ireland where the rate, subject to examination, increased by more than 3% for two years.

Share of the part-time employment to the full-time employment in the European Union's states – comparison of data from 2007 and 2009 (in %).

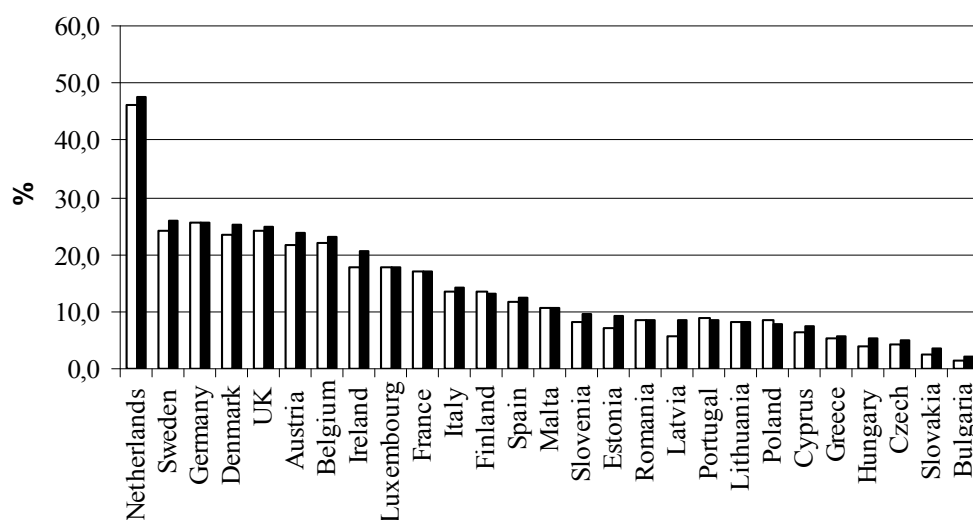


Figure 2. Share of the part-time employment to the full-time employment in the European Union's states – comparison of data from 2007 and 2009 (in %)

Source: *Part-time employment as percentage of the total employment for a given sex and age group*, Eurostat, <http://epp.eurostat.ec.europa.eu> (as of 05.05.2010).

⁵ *Europejski model społeczny*, red. D. Rosati, Polskie Wydawnictwo Ekonomiczne, Warszawa 2009, p. 184.

The part-time employment is more characteristic for women than men in all states of the European Union. In 2007, 30.7% of all professionally active women were part-time employees compared to 7.0% of men. After the crisis, in 2009 the rate in case of women increased to the 31% level and for men to 7.4%. The highest percentage of women (75.7%) employed in 2009 as part-time workers was in Holland, then in Germany (44.8%) and in Austria (42.4%), while in Bulgaria just 2.5%. Similarly, the high percentage of part-time employees in 2009 characterized Holland – more than 20% and Denmark – 14%⁶.

Also the temporary employment poses a serious form of employment. Its share exceeds 35% in case of both, men and women. The states characterized by the lowest share of the temporary employment – at the 3% level – are: Estonia, Malta, Lithuania and Slovakia⁷.

The unemployment rate is a factor characterizing the employment market. From the very beginning of the European Union the unemployment has been a very serious problem. It was the European Union's concept to reduce the high percentage of the unemployed – establishing a uniform, liberalized market where employees could easily find a job. "The issue of employment is one of the basic problems of European inhabitants – we need to make all efforts to liquidate the unemployment phenomenon since its present rate poses a hazard for coherence of our societies"⁸. Such words ended the summit meeting in Luxemburg in November 1997 devoted to the issue of unemployment in the European Union member states. From that time the member states – at the internal and central level – have implemented reforms and programmes which aim is to reduce this negative phenomenon. Within the space of the last 13 years the unemployment rate for the member states in subsequent years amounted from 7% to 9.1%. In 2006 it amounted to 8.2%, in 2007 just to 7.1%, and in 2008 to 7.0%. Such an optimistic result could mean that the unemployment phenomenon was under control and that the downward tendency is to be maintained. In 2008 the first economy where a significant growth in the unemployment rate was observed was Spain – the unemployment rate compared to 2007 increased by 3% and consequently Spain became the sole economy in the European Union with double-digit value of this rate (11.3%). The second position was held by Slovakia with 9.5% of the unemployment rate, however, in case of this economy, despite all facts, one may say about a positive change since 2001 Slovakia has fought against the unemployment and managed to decrease the unemployment rate annually. In 2001 the unemployment rate amounted to 19.3%, in 2005 – 16.3%, and in 2007 – 11.1%⁹.

⁶ *Part-time Employment as Percentage of the Total Employment for a Given Sex and Age Group*, Eurostat, <http://epp.eurostat.ec.europa.eu> (as of 05.05.2010).

⁷ *Europejski...*, op. cit., p.185

⁸ K. Malinowski, *Charakterystyka europejskiego bezrobocia*, [in:] *Spoleczne skutki integracji Polski z Unia Europejską*, red. K. Głębicka, Wyższa Szkoła Pedagogiczna Towarzystwa Wiedzy Powszechnej, Warszawa 1999, p. 66.

⁹ *Unemployment Rate*, Eurostat, <http://epp.eurostat.ec.europa.eu> (as of 05.05.2010).

The unemployment rate in 2008 is explained by an increase in the number of working age persons who could not find a job because of the crisis. In 2009 the unemployed group was joined by persons who had lost jobs as an effect of the liquidation of companies or vacancies as a consequence of the crisis.

Generally, in the member states the unemployment rate in 2009 amounted to 8.9%. From these the highest rate of unemployed persons was observed in Spain (18.0%), Latvia (17.6%) Lithuania (14.0%) Ireland (11.8%) and Hungary (10.0%). The lowest unemployment rate was in Holland (3.5%), Austria (5.0%), Cyprus and Luxembourg (6.0%)¹⁰.

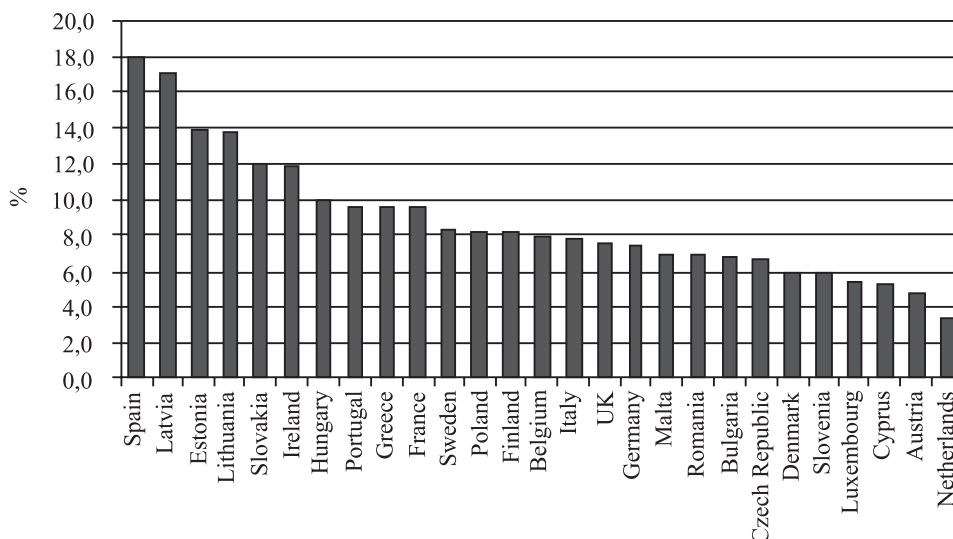


Figure 3. Harmonized unemployment rate in the European Union states in 2009 (in %)

Source: *Unemployment Rate*, Eurostat, <http://epp.eurostat.ec.europa.eu>

The year 2009 was characterized by an increase in the unemployment rate in all member states of the European Union but its scale was different in particular countries. In the Baltic states as well as in Ireland and Spain it was possible to observe the highest growth in the unemployment rate in a year-scale (increase by 5.8 – 10% compared to the year 2008), in Belgium, Germany, Luxembourg and Holland the increase of this rate did not exceed the value of 1%. On the Union's market the unfavourable situation concerned young persons, aged up to 25. The unemployment rate for this group of working age persons amounted to 19.7% and it was higher by 12.1% than for a group represented by the European Union inhabitants aged 25-74. The most serious disproportions between unemployment rates regarding young

¹⁰ "Kwartalnik Statystyki Międzynarodowej" kwiecień 2010, nr 1, Główny Urząd Statystyczny, Warszawa, p. 21.

persons and persons aged 25-74 occurred in Estonia and Lithuania, the least serious – in Germany and the Netherlands. High unemployment rate in this group poses a serious problem for many European states. Programmes designed to reduce the unemployment rate among the youth propose such solutions as: artificial extension of a study period or promotions of vocational and regular study education.

Forecasts regarding 2010 are not optimistic as well. It is estimated that the employment in the member states shall decrease by approx. 2.5% which results, in subsequent two years, in the liquidation of nine million vacancies. To compare, from 2006 to 2008 9.5 million vacancies were generated. They will be lost.

3. Conclusion

The financial crisis, which occurred in 2007, rapidly limited the condition of the world economy and the worse economic situation affected many countries of the world, including the European Union member states. Production went down which resulted in a decrease of the real GDP and the unemployment rate went up. Summarizing the above considerations one may conclude that the economic crisis substantially affected the European Union labour market. Nevertheless, its effects may be much larger in the future and the negative tendency shall be maintained. A good signal is the quick reaction of the member states to the first bad symptoms occurring on the local labour markets and short-term measures which implement necessary reforms and manage to save many vacancies. One may conclude that the labour market in Europe is becoming stable and despite the fact that the forecasts concerning 2010 are not optimistic, we can expect a little decrease in unemployment rate in subsequent years. This delay in reaction on the employment market is related to normal delay occurring between the development of the situation in the real economy and the effects on relevant markets. According to a forecast of the European Commission in 2010 the unemployment rate for the member states should maximally amount to 10%¹¹.

The member states should quickly define their problems and try to liquidate all irregularities, which caused so big problems in the economy, by an active performance. It seems to be strange that first efforts to coordinate anti-crisis actions occurred at the beginning of 2009. Previously, each state was trying to provide support for their markets on domestic level. Time is necessary to assess whether the actions which are nowadays being carried out at the trans-national level will result in expected effects. One may conclude that high quality of financial policy run in the member states, well-developed social system and aversion to credits as well as tendency to savings caused that the European Union survived the crisis. As the European Union's Commission shows in its communication, independently of the

¹¹ *European Economic Forecast – Spring 2010*, "European Economy" 2010, No. 2, European Commission, European Union, p. 15.

signs of stabilization, the maintenance of stagnation on the labour market is forecasted. The development of a situation in this scope is of key importance for the process of improvement of economic situation in the European Union and it may be a potential risk factor related to the worsening of a situation or making better – then expected – results, independently of efficiency of political resources. On the other hand the increase in turnover may on the growing markets strengthen the European Union's economy beyond expectations.

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KONSEKWENCJE ŚWIATOWEGO KRYZYSU GOSPODARCZEGO DLA RYNKU PRACY UNII EUROPEJSKIEJ

Streszczenie: Unia Europejska to prawie pół miliarda obywateli zamieszkujących 27 państw członkowskich. Od roku 2006 w Unii Europejskiej zaczęto obserwować tendencję do ograniczania poziomu bezrobocia. I tak stopa bezrobocia, która jeszcze w roku 2006 wyniosła 8,2%, w roku 2007 zmniejszyła się do 7,1%, a w 2008 do 7,0%. Rok 2009 charakteryzował się wzrostem stopy bezrobocia we wszystkich krajach członkowskich Unii Europejskiej, jednakże jego skala była zróżnicowana w poszczególnych państwach. Jej największy wzrost (6-10%) zaobserwowano w krajach bałtyckich, a także w Irlandii i Hiszpanii, natomiast najmniejszy w Belgii, Niemczech, Luksemburgu oraz Holandii, gdzie nie przekroczył on 1%.